

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN STEVE VICK**, on February 1, 2001 at 3:00 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Steve Vick, Chairman (R)
Rep. Dave Lewis, Vice Chairman (R)
Rep. Matt McCann, Vice Chairman (D)
Rep. John Brueggeman (R)
Rep. Rosalie (Rosie) Buzzas (D)
Rep. Tim Callahan (D)
Rep. Edith Clark (R)
Rep. Bob Davies (R)
Rep. Stanley Fisher (R)
Rep. Dick Haines (R)
Rep. Joey Jayne (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. Jeff Pattison (R)
Rep. Art Peterson (R)
Rep. Joe Tropila (D)
Rep. John Witt (R)

Members Excused: None

Members Absent: None

Staff Present: Robyn Lund, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 291, 1/29/2001; HB 177,
1/29/2001

HEARING ON HB 177

Sponsor: Representative Jim Keane, HD 36

Proponents: Don Judge, AFL/CIO
Steven Walsh, Montana Resources
Russ Ritter, Montana Resources
Dan Antonietti, Veterans of Foreign Wars
Representative Dave Wanzanried, HD 68

Opponents: None

Information Witnesses: Jim Hill, Unemployment Insurance

Opening Statement by Sponsor:

REPRESENTATIVE JIM KEANE, HD 36, brought forward HB 177 which passed the Business and Labor Committee 15 to 2. This bill would extend unemployment benefits for the MRI workers for 26 additional weeks. The bill was brought forth by both the company and the need for the workers who have run out of benefits and to try to hold on to those workers. In doing so they looked at where they could come up with the revenue for that. MRI, if the money is paid out of the fund, will jump up the repayment up to a higher level of their unemployment insurance.

Proponents' Testimony:

Don Judge, AFL/CIO, submitted written testimony.

EXHIBIT (aph26a01) This is a measure designed to help ease the pain of unemployment for more than 350 families of the former workers of Montana Resources in Butte. These aren't union members, so this isn't a labor bill that is sometimes associated with organized labor. This is a people bill, a family bill. This bill is to help with the families directly impacted by the result of misguided utility deregulation passed in the 1997 session. None of the proponents for that legislation told that hundreds, maybe thousands of people would be put out of work. They painted a rosy picture for the state's economy and its workforce. Unfortunately that wasn't true, and as a result you have HB 177 today. He referred to a newspaper article where Judy Martz said that she won't sign this bill even if passed.

EXHIBIT (aph26a02) She is still trying to paint that rosy picture of the deregulation bill. He then presented the latest figures that are available for the fund balance in the state's unemployment insurance trust fund. **EXHIBIT (aph26a03)**

Steven Walsh, Montana Resources, stated that the unemployment insurance laws in Montana begins with the declaration of state public policy, which consists of three parts; two of which he read from. The public policy of the state is declared to be as follows: (1) Economic security due to unemployment is a serious menace to the health, morals, and welfare of the people of the state. (2) Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden now, which so often falls with crushing force upon the unemployed worker and his family. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds. The situation at Montana Resources, the loss of 322 high-paying jobs has had a devastating impact on those employees and their families. The loss of their livelihood is strictly due to the high price of electricity that rendered the operation uneconomic. The situation is beyond the employees' control. Due to the timing of the lay-offs, the expiration of the unemployment benefits coincides with the low employment opportunity time in Montana. The situation for the employees is only going to worsen without assistance.

Russ Ritter, Montana Resources, wanted to put a different spin on HB 177. Since June 30, 2000, Montana Resources has been looking for new power. The problem is that it has been too expensive. They need to have electric power at a reasonable price, that would be \$38 delivered. They are also convinced that this is not a Montana problem, per se. He said that Montana Resources had been an operating mine in Butte Montana for 14 years, that is the longest period of time in Butte's mining history that there has not been any lay-offs. Deregulation has been mentioned here, they have supported that, but had they known that this was going to happen they would not have. However, they still feel that, until Montana gets more electrical power, this type of situation will continue. He stands before the committee on behalf of the workers, if this benefit will tide them over until they can come back to work, that would be great.

Dan Antonietti, Veterans of Foreign Wars, stated that in the past few years Montana Resources has received their annual distinguished award for employing veterans. His organization asks the committee to support this bill.

Representative Dave Wanzanried, HD 68, wanted to take the committee back to 1985 and the years preceding that, he was the commissioner of labor at that time. The fund balance was almost running on a deficit. In 1985 the Department of Labor came in with a comprehensive work package that changed the way that the fund works. It is working the way it is supposed to. The fund

balance has increased. The fund balance right now allows that employers have the lowest possible tax rate allowed in the formulas. The higher the fund balance, the lower the tax rate. The most important thing for the committee to keep in mind is that we would have to draw in excess of \$9,000,000 to trigger that next tax increase. The amount of money that they are talking about will not, by itself, do that.

Informational Witness Testimony:

Jim Hill, Unemployment Insurance, wanted to say that he was available for questions.

Questions from Committee Members and Responses:

REPRESENTATIVE DAVE KASTEN asked, of Mr. Ritter, the power to Montana Resources is about \$38 delivered; is that correct?

Mr. Ritter replied that was right, it is approximately \$38 per megawatt to deliver on site in Butte. **REP. KASTEN** clarified that that would be 3.8 cents. What was it prior to the tremendous increase that has been quoted? **Mr. Ritter** replied that that was the rate. **REP. KASTEN** then asked what the current rate is.

Mr. Ritter replied that the rate that they would have to pay to get back on the system would be around \$175 per megawatt hour for a one year contract. **Mr. Walsh** replied that for a three year contract it would be \$120 per megawatt hour.

REPRESENTATIVE DAVE LEWIS asked, of the sponsor, if he recalled that there were 17 or 18 republicans who voted on this on second reading, so he was taken aback when he saw that the governor planned to veto the bill. Given that, he was planning to make a motion to table the bill. He didn't want to subject everyone to another debate on second reading on this. Can the sponsor clarify where we are on this bill? **Rep. Keane** wanted to make it clear that he never sought or expected the testimony to come from Don Judge or on the floor of the house, but it did. This not a deregulation bill, it shouldn't be brought up as that. He stated that he had met with the governor today and they are working on an amendment on this which would not allow the fund to draw down below the \$9 million or whatever the administration and he can work out. The administration's concern was that everybody was going to jump on the bandwagon, and that's why we need to target this bill to specific companies because that's what the US Department of Labor did.

REPRESENTATIVE STEVE VICK asked a question of Jim Nelson. His concerns when this was on the floor is that he wasn't sure how this would affect the unemployment insurance rates that customers pay, could he address that? **Mr. Nelson** replied that he thought

that Rep. Wanzanried had pointed out a couple of ways. One, if the economy remains stable and the amount of money coming and going out of the trust fund remains as it is today, it would take \$9.3 million in expenses to draw this fund down to the point where there would be a rate increase. Two, if the company doesn't reopen then that money will be socialized. There would be rate increase for all employers and that money would go back into the trust fund. We have pretty aggressive law in terms of keeping the trust fund solid. **REP. VICK** then asked if the \$2.7 million that is on the fiscal note is the impact that MRI would have on the fund. **Mr. Nelson** replied that that was correct to his knowledge. However, they don't know how many of these people would be re-employed and not use the extended benefits. **REP. VICK** said that another concern that he had was about everyone jumping on the bandwagon. If you have to close after the legislature has left, are you not allowed then to take part in this? His understanding was that we have to have a specific bill for each company. **Mr. Nelson** said that his understanding was that this bill does only affect MRI employees. There is no fear in the department in terms of keeping the trust fund solid because the more people draw out of the fund, the quicker that would trigger a rate increase. What he can't predict is who would have a shutdown similar to this and who is going to propose legislation. **REP. VICK** wanted to clarify if each company would have to have their own bill. **Mr. Nelson** replied that is his understanding.

REP. VICK asked if the workers at Columbia Falls Aluminum can get paid unemployment even though they are receiving full pay. **Mr. Nelson** said that it depends on how those workers are paid severance pay.

REPRESENTATIVE MONICA LINDEEN asked a question of Don Judge. Did he have any additional information as far as his opinion on whether or not separate bills would have to be introduced for other companies that were in the same situation. **Mr. Judge** replied that if you are going to provide that a specific company will be charged for the cost of the extended unemployment compensation, it takes a separate bill. There is a proposal that will be dropped into the hopper which would automatically extend the benefits based on total unemployment in the state.

REPRESENTATIVE DAVE KASTEN asked, of the sponsor, what argument can he give to support the 2.7 million, considering that **REP. KASTEN**'s district is primarily rural, non-union and also suffering from the economic downturn. **Rep. Keane** stated that he appreciates the problem in agriculture. If a wheat farmer plants his crop, pays the insurance and he harvests, then he doesn't have to collect the insurance. If a hail storm hits, then that

farmer would collect the insurance. The insurance fund that they are trying to get into is paid for by the companies for unemployment. Anybody who has paid unemployment insurance, in a downturn should be able to use the policy and collect for the workers.

REP. KASTEN asked if the dislocated worker situation would give these people some interim help. **Mr. Judge** replied that there is a dislocated worker program that they administer through the AFLCIO. They have been engaged in extensive outreach in the rural agricultural communities. The services include training, re-training, education, relocation, new business start-up services, et cetera. **REP. KASTEN** asked if that would give MRI employees any help in the interim. **Mr. Judge** stated that a number of the MRI employees are on that program at this point in time.

REPRESENTATIVE STANLEY FISHER asked a question of Mr. Ritter. How many people were laid off as a result of this cut back?

Mr. Ritter thought it was about 340. **REP. FISHER** asked how much unemployment do they draw each week. **A representative from MRI human resources** replied \$263 per week per employee, which is the maximum amount for 26 weeks. **REP. FISHER** clarified that 26 weeks is the longest that unemployment pays. **MRI** replied that is correct.

REPRESENTATIVE BOB DAVIES said that we didn't deregulate the electric industry, we deregulated one part of it. At the retail and production level there is still regulation. What we might be doing is just delaying the inevitable, so the real solution would be to get a greater supply of electricity. He imagines in the summer that the demand will drop off somewhat and the prices may drop. What is the long-term situation here? **Mr. Walsh** shared his experience with deregulation. On January 1, 1999, they opted to leave the Montana Power Company system and begin buying power from Idaho Power Company. At that time they were paying \$19.70 per megawatt hour. That contract lasted through June. They then went on the Columbia Index. From November 1999 through June 30, 2000, they bought power from Nation Wide Marketers of Electricity; they paid \$25.50 per megawatt hour. Prior to that they were paying MPC \$30 per megawatt hour. What has messed up deregulation is not only deregulating a portion of the power industry, but they got involved in the entire western grid system. California's demand for electricity is what is driving the high prices of power. **REP. DAVIES** said that his concern was that with this bill they are just delaying the inevitable, what we need is a long-term solution. **Mr. Walsh** said that his company hopes that this legislature and the governor of the state does

something to allow reasonable control over prices of electricity in Montana once again.

Closing by Sponsor:

Rep. Keane pointed out that the fiscal note showed the cost at a maximum. There are 282 people that were collecting unemployment. It shows that people are going off the 26 weeks, there are close to 60 that are off the 26 weeks. This bill is asking for a continued 26 weeks. It is worth it for the state of Montana to try to hold on to 282 people to open this mine back up. The general fund has all ready lost a million dollars in the first six months that they were closed. This will continue, so it pays to try to hold on to their work force. They want the mine reopened for the benefit of the county, state and the rest of us.

HEARING ON HB 291

Sponsor: Representative Monica Lindeen, HD 7

Proponents: Sharon Quisenberry, MSU
Bill Kennedy, Yellowstone County Commission
Kent Wasson, MAES
Tom Maclay, MAES
Representative Tom Steinbeisser, HD 100
Mark Peterson, farmer
Mike Greytak, farmer
Curtis Hershberger, Ag Business
Lorna Karn, Montana Farm Bureau Federation,
Montana Stock Growers Association,
Montana Chamber of Commerce
Robert Boettcher, Farmer's Union
Steve Raska, producer
Dave Broberg, MAES
Terral Balzer, farmer
Gloria Paladichuk, Richland Economic Development
Dan Lake, farmer
Bob Stephens, Montana Grain Growers Association
Jake Cummins, Montana Farm Bureau
Patrick McNulty, Montana Farm Bureau,
Montana Stock Growers Association
Dick Crofts, Commissioner of Higher Education
Representative Rosalie Buzzas, HD 65
Tony Zinne, producer
Representative Joey Jayne

Opponents: None

Opening Statement by Sponsor:

Representative Monica Lindeen, HD 7, stated that this bill is about the agriculture industry and something that we can do to help them. A review team looked at Montana's agricultural research centers and looked at facility needs and put together a report that shows what the critical needs were in each center around the state. They prioritized each of the facility's needs, but also each of the centers. She handed out a copy of the report. **EXHIBIT (aph26a04)** We all know that agriculture is the number one industry in Montana, but this industry has been ignored by the legislature. We have not given them the funding that they need to do the research that they need to do to increase the things that they can do. She introduced a chart that shows the importance of agriculture in Montana.

EXHIBIT (aph26a05) She said that Montana's economy can be strengthened by revitalizing agriculture. By looking beyond food we can increase production beyond food to bio-based products. We can capitalize on recent research to develop and grow plants that produce fuels, fibers, plastics, vitamins and more. We are here to strengthen Montana's economy.

Proponents' Testimony:

Sharon Quisenberry, MSU, submitted written testimony.

EXHIBIT (aph26a06) The importance of the research centers to the state is the fact that it forms a network that provides research in agricultural areas that are climatologically and geographically different. We hope these centers serve as the centers to revitalize agriculture, our number one industry in the state, and to begin the process of rural economic development.

Bill Kennedy, Yellowstone County Commission, wanted to share how this bill would affect eastern Montana. Agriculture plays a significant role in eastern Montana; about 1/3 of the economy is based on agriculture. The only way to help our folks in the agricultural industry is to make sure that we have research that is important to them to be able to diversify their crops, especially for the challenges coming in the near future. Eastern Montana is suffering from a drought. This will add a significant burden on a lot of areas. They need the help and the research to help keep this industry alive. He submitted a letter in support of this bill. **EXHIBIT (aph26a07)**

Kent Wasson, MAES, Montana Grain Growers, said he was in support of facility upgrades for all the experiment stations. This has been put off for twenty years or more. The board will make sure that this money will be accounted for. They believe in accountability of that money. This money will upgrade the chance

to compete nationally for larger grants. Research is very important to rural economic development. Agriculture will return this money through the economies in rural Montana.

Representative Tom Steinbeisser, HD 100, talked about the importance of potato research that is needed. If they want to get a contract for these potatoes they need to have at least one year of research in place. There is a need to improve the facilities. The research stations have been ignored the last couple of years. They are looking for ways to make the farm work, that is hard to do today. Research means economic growth and development.

Mark Peterson, farmer, supports this bill.

Mike Greytak, farmer, said that this is a lot of money, but it reflects many years of being ignored. The buildings are quite deteriorated. What we are asking our researchers to function with is inhibiting their production. We can't allow it to get in the way any more.

Curtis Hershberger, Ag Business, said that the research stations are antiquated and not being used for what they were designed for. The research station that he is familiar with is 92 years old. The most recent building was built in 1976 and has a dirt floor. Last year \$8,000 of research money had to go to maintenance of the buildings. As an ag businessman he depends on information from the research center.

Lorna Karn, Montana Farm Bureau Federation, Montana Stock Growers Association, Montana Chamber of Commerce, said that there is a perception in the agriculture community that MSU's commitment to agriculture has diminished in recent years. The ag experiment stations are a prime example. Ag groups have found themselves defending the agriculture experiment stations and overall funding for agriculture at every legislative session without much to show for it. They want the legislature to make a long-term commitment to adequately fund and repair the ag experiment stations by supporting HB 291.

Robert Boettcher, Farmer's Union, said that he was familiar with most of the ag research centers and had served on the advisory committee of the ag research center in Havre. It is extremely difficult to keep buildings in repair because they are required to do it on such a slight cost. He sees the need for the funding to correct the problems that exist in these research centers.

Steve Raska, producer, said that it is easy to overestimate the condition of the ag experiment stations. Everything looks good

as you drive by. Upon closer inspection you will find out that they are in terrible financial straights. These stations are easy to take for granted. We take for granted the information that they produce without really thinking of their needs. The farmers survive directly as a result of the information put out by the ag experiment stations.

Dave Broberg, MAES, stated that one of things that we have gone around here is that what they are asking for is to reassume the responsibility that past legislatures have neglected. They are asking that they are provided the tools to educate our educators so that they can in turn educate us. This is needed so that they can be some of the best producers, not only in Montana, but in the world.

Terral Balzer, farmer, stated that he works on the Huntley Project, which is where the southern ag research station is located. Old and out-dated buildings still exist at this station. They are forced to concentrate on maintaining the building rather than on the research that they should be concentrating on. This station had to be temporarily closed because of funding problems. The farmers in that area are dependent on the information that comes from this center. The staff there is working out of a small, uninsulated trailer. In the winter staff has to wear coats and hats. How long can we expect researchers to be viable at any center where the equipment is so lacking? Will more research stations have to close or leave the state?

Gloria Paladichuk, Richland Economic Development, said that agriculture is and always has been the major contributor to the local economy in her area. Keeping these centers up to date is very important in keeping the agricultural industry strong. She stated that **Senator McNutt** would like to go on record as supporting this bill.

Dan Lake, farmer, urged the committee to restore the research centers. The research center system has been extremely valuable because of the unbiased performance data which assists farmers in making crop recommendations. This will be a vital step in the Montana agricultural industry's ability to move into the future.

Bob Stephens, Montana Grain Growers Association, supports this bill.

Jake Cummins, Montana Farm Bureau, said that in the ten years that he has been representing the Farm Bureau and Montana agriculture on a national and international level, one thing has become very obvious to him. The challenges that we face in this

century are significant challenges for agriculture. If we are going to be competitive in a global market place, the only way will be through research and education.

Patrick McNulty, Montana Farm Bureau, Montana Stock Growers Association, said that all of these associations have policy in support of the experiment stations. The stations provide essential research and knowledge to our industry. It is most important that we do something now to pick up the slack and start taking care of the buildings and equipment that we have that is inadequate and antiquated. If we fail to address this we stand to lose more than the research benefits, but also new research dollars. We need to have a credible, public supported research station system in order to attract grant money to provide further research.

Dick Crofts, Commissioner of Higher Education, said that the university system has decided that there are two subjects this session that they will address at every opportunity because they are so important to the entire university system. They are the utility prices and the maintenance of their facilities. Deferred maintenance and renovations of the facilities is a major concern to the university system. There was a facility management study done. It found that throughout the university system the deferred maintenance cost is around \$89 million; their estimate is that the total is now over \$100 million. They have also done a more limited audit for facility management of state-owned buildings. The conclusion was that there is not enough money to maintain existing state facilities and that something needs to be done about it. They hope that this legislature and future legislatures will find a way to address this problem.

Representative Rosalie Buzzas, HD 65, stated that as a native Montanan she has a great appreciation for the agricultural industry as the back bone of Montana's economy. This summer she met with some of the ag researchers and learned a lot more about this particular set of projects and this proposal. The reason that we are seeing such a large bill before us represents a deferred need. This is an area that our state hasn't addressed for many years. Agriculture has changed a lot and is changing daily in our society. This necessitates a need for up-to-date research.

Tony Zinne, producer, wants future generations to be able to get information from the research stations.

Representative Joey Jayne wanted to be recorded as a proponent.

Questions from Committee Members and Responses:

REPRESENTATIVE MATT McCANN wanted to make the observation that he was struck by the sincerity of the audience. He didn't want to suggest that it wasn't possible to fund this. He thinks that a lot of people will make an effort to try to find some dollars. These projects are ranked in order of funding. It is very hard to refute the need of research, particularly when you look through some of the information that has been provided. He has seen how the industry has changed, that change is due to the research. It has allowed us to remain as farmers in Montana. The reality of this appropriation is probably fairly slim because they have so many needs. He was wondering if the community has thought about assessing some sort of a fee or tax upon themselves, that may be much more successful. This should maybe be considered.

REPRESENTATIVE DICK HAINES asked a question of the sponsor. The frustration that he has with this is that it comes to us as an all or nothing bill. He wishes that it could be set up in steps. **Rep. Lindeen** appreciated the comments, but she would disagree about this being an all or nothing bill. She thinks that the way it was presented was in such a way so that you could actually look at taking out different projects and scaling it down to the money that is available. It is her understanding that if a bill is allowed to continue through the process, anything is possible once you get to a conference committee and you can pull out or leave in as much of a dollar amount as you would like. This is important enough to fight for any dollar that we can get because we believe that we can get a hell of a return on that dollar. **REP. HAINES** said that he wasn't certain that it should be the job of the committee to sort out the proper projects for the project list. He would like to see something come from the sponsor and proponents. **Rep. Lindeen** said that they could work with the committee to find a way to stretch this out over a period of time. She is willing to do anything that they can.

REPRESENTATIVE EDITH CLARK asked a question of Commissioner Croft. We have only had deregulation problems for 2 years, the problem of non-support for the research stations has been going on for 20 - 30 years. Has this never been brought forward to you? **Mr. Croft** believes that it is true to say that these particular projects were not identified in time to be brought forward within MSU. When it comes to the commissioner's office they look at the top priorities that have come forward from the two universities. **REP. CLARK** asked if this is not part of the university system. **Mr. Croft** replied that yes, it is.

REPRESENTATIVE DAVE KASTEN addressed the previous question to Sharon Quisenberry. **Ms. Quisenberry** said that this was put forward to the MSU system last fall. They separated them into

two packages. They had estimates of over \$4 million at that time, this was before the completion of that study. Those two packages were renovation of building needs and safety issues. They were at the bottom of the list as far as the renovation needs were concerned in the MSU system. The safety package was mid way on the list. As it went forward both of these projects completely dropped off the list. **REP. KASTEN** said that what he heard was that we had some terrible facilities out there, but the funding is not there. What are we doing with the amounts that are asked for? **Ms. Quisenberry** said that it is tearing down facilities that are no longer safe and actually trying to replace those constructions, to modernize so that we can have learning opportunities at these stations. They want to place extension personnel at these stations so that there is truly a connection with the whole state, and to also provide Internet capabilities.

REPRESENTATIVE STANLEY FISHER asked if it was correct that this bill is outside of the university structure. **Ms. Quisenberry** replied that is correct. **REP. FISHER** then asked, if these funds were given to them, this would be in addition to the budget that the university system is presently asking for. **Ms. Quisenberry** replied that is correct.

REPRESENTATIVE DAVE LEWIS asked a question of the sponsor. This looks like a natural for a revenue bond issue. Have you thought about packaging this thing and finding a revenue source? \$600,000 per year is a lot easier to swallow than \$6 million.

Rep. Lindeen said that they had not discussed that possibility, but she is willing to look at any kind of option. If that is something that we can do, she would be happy to do that.

Commissioner Bill Kennedy commented that the idea of an intercap loan is very intriguing and may be something to look at. Maybe they need to ask for some help doing some matching for that intercap loan and do some creative financing. He wanted to make sure that everyone understands that they did not come under the university funding; the reason for that is they feel the research stations are very important and they have tried without success to go through the university system. They are looking for any way to make this happen.

Closing by Sponsor:

Rep. Lindeen stated that attempts that were made in the past to try to run these projects through the usual channels of the university system have failed. It is very important to go about this the way that we have and to make sure the money goes to the research stations. They are willing to work with people on the committee to come up with other avenues to get as much of this

funding as possible. Farmers and ranchers across Montana are strong and independent souls. They're fiscally conservative and know how to make a dollar go a long way. The researchers at the research centers are the same way. They aren't even asking for more than they need, only as much as they need to get by. She is trying to bring some hope to the agricultural community.

ADJOURNMENT

Adjournment: 5:00 P.M.

REP. STEVE VICK, Chairman

ROBYN LUND, Secretary

SV/RL

EXHIBIT (aph26aad)